

**Summary of Testimony of Mr. Gary Muller, F.A.C.H.E.**  
**West Jefferson Medical Center**  
**House Committee on Energy and Commerce**  
**Subcommittee on Oversight and Investigations**  
**March 13, 2007**

As one of only three hospitals which remained open during and after Hurricane Katrina, West Jefferson Medical Center has incurred over \$48 million in losses. Financial survival has become the top priority for WJMC and we have focused efforts to explore every regulatory or legislative mechanism that might assist us. Providers of all types are experiencing significant financial losses as we struggle to retain health care workers and deliver care.

Major Points and Corresponding Notes:

- Inflation of labor and operating expenses without corresponding payment increases:  
The 2007 wage index update that was effective as of October 2006 was based on wage data from Medicare cost reports that began during federal fiscal year 2003. Thus, there is almost a three-year lag between the data being used to develop the wage index and the actual implementation of the wage index that incorporates the data. Under the CMS methodology for incorporating changes to the wage index, our wage index will not begin to reflect the changes that we have experienced in labor costs until October 2008. I am requesting that you consider a special wage-index adjustment for hospitals in the affected area to help offset some of the losses attributable to the added cost of operating in the post Katrina environment.
- Dramatic rise in uncompensated care:  
WJMC is supportive of the CMS Medicaid Proposed Rule on Intergovernmental Transfers (IGTs) and Certified Public Expenditures (CPEs) issued on January 12, 2007. As we understand the proposed rule, CMS will require states to direct federal funds back to governmentally operated healthcare providers. This certainly seems aligned with how the federal government intended these funds to be used in the first place. For WJMC, we believe this will result in equitable distribution of funds to our hospital.
- Community Disaster Loan Program:  
Both the House and Senate appear to be on the verge of floor action to permit the forgiveness of CDL loans, which has been the practice pre-Katrina. I strongly ask for your support to forgive these loans our hospital is currently obligated to pay back.

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Mr. Chairman and Members of the Committee:

Thank you for inviting me to testify on behalf of West Jefferson Medical Center. I am grateful that the committee has expressed a continued interest in the worsening state of the healthcare system in the New Orleans region. I also would like to take this opportunity to thank Co-Chair, Congressman Melancon, for your dedication and hard work on behalf of the people of Louisiana.

West Jefferson Medical Center, located 10 miles from downtown New Orleans, is a 451 bed community hospital and health system with programs and services across a complete continuum of care. West Jefferson was one of three hospitals that did not close after Hurricane Katrina and is now one of the eight safety net facilities serving all patients. Pre-Katrina we were projecting an \$8 million profit for 2005. When I testified before this committee last year we had incurred operating losses of \$30 million dollars. I come to you this time with a heavier burden of \$48 million dollars in operating losses. To put it in health care terms, prior to the storm we were a healthy patient. Now we are critically ill.

Financial survival has become the top priority for WJMC and we have focused efforts to explore every regulatory or legislative mechanism that might assist us. The Post Katrina story is complex as we embrace challenges continually. Providers of all types are experiencing significant financial losses as we struggle to retain health care workers and deliver care.

Recruiting nurses and physicians has become a near impossibility and the supply and demand of the entire healthcare workforce has reached a crisis. Prior to Hurricane Katrina we spent a total of \$2 million dollars annually on agency nurses. Currently, we are forced to spend \$1.1 million dollars each month, which was \$13 million in 2006. It is extremely difficult to simply have a physician visit our city for the possibility of working here.

The region's labor and operating expenses have inflated dramatically without corresponding payment increases. Hospitals have also experienced a dramatic rise in uncompensated care. I would like the opportunity to discuss both of these issues with the committee.

Certain financial adjustments are necessary to maintain hospital operations in our area. The 2007 wage index update that was effective as of October 2006 was based on wage data from Medicare cost reports that began during federal fiscal year 2003. Thus, there is almost a three-year lag between the data being used to develop the wage index and the actual implementation of the wage index that incorporates the data. Under the CMS methodology for incorporating changes to the wage index, our wage index will not begin

to reflect the changes that we have experienced in labor costs until October 2008. We just can't wait that long. I am requesting that you consider a special wage-index adjustment for hospitals in the affected area to help offset some of the losses attributable to the added cost of operating in the post Katrina environment.

WJMC is a public service district hospital and we are supportive of the CMS Medicaid Proposed Rule on Intergovernmental Transfers (IGTs) and Certified Public Expenditures (CPEs) issued on January 12, 2007. As we understand the proposed rule, CMS will require states to direct federal funds back to governmentally operated healthcare providers. This certainly seems aligned with how the federal government intended these funds to be used in the first place. For WJMC, we believe this will result in equitable distribution of funds to our hospital.

West Jefferson Medical Center has worked closely with our Congressional Delegation to identify existing federal legislation that could provide us financial relief. We worked diligently to offer language to the Stafford Act that would qualify hospitals as eligible recipients of the Community Disaster Loan Program. With the hard work of our entire delegation we were successful in securing that funding. That funding from CDL was vital for our hospital in the few months following the storm when we incurred substantial financial losses. Both the House and Senate appear to be on the verge of Floor action to permit the Forgiveness of CDL loans, which has been the practice pre-Katrina. I strongly ask for your support to forgive these loans our hospital is currently obligated to pay back.

Please be reassured that we have taken all steps possible to become more cost-effective and efficient in our day-to day operations. We have implemented an Operations Improvement Action Plan (OIAP) whereby approximately \$8 million of savings or revenue enhancements have been identified. Most of the cost savings center on reducing agency nurse costs which included only two agency nurses pre-Katrina and grew to 92 agency nurses presently. We have also improved efficiencies (per length of stay and discharges) so that the emergency room can flow better with the increase in patient volumes. WJMC also supports two Federally Qualified Health Centers (FQHC) in our service area to support the medical home model of delivering primary care in clinics rather than in our emergency room.

Let me take this opportunity to provide you with a snapshot of our ED situation. One day last week we were overwhelmed with 32 admissions waiting in our emergency department. Simply put, every available bed in our hospital was occupied and we had 32 admitted patients waiting on stretchers in the hallway of the emergency department. Our ambulances and paramedics routinely wait with these patients which takes them off of the streets to serve other patients in need. Unfortunately, this is quickly becoming the norm as there are simply not enough staffed beds in the New Orleans region to care for the volume of patients. We put a phone call into the Department of Health and Hospitals expressing this concern. The next day the secretary of the department, Dr. Fred Cerise,

was at our hospital offering assistance and potential solutions. He has also been helpful with his support of the Uncompensated Care Cost pool that was developed at the state level to offset some of our growing indigent care costs. Nonetheless, the shortage of beds, particularly psychiatric and acute care beds, is at a critical point.

I remain optimistic that, as discouraging as our problems may seem, our issues will eventually be resolved by both private and public hospitals, community clinic providers, payors and government officials presenting a united solution in a new model that will improve care for all citizens of Louisiana. I have great faith that our federal leaders will not abandon us. Together, we can make a difference. Thank you for your time and interest.

A. GARY MULLER, F.A.C.H.E.  
PRESIDENT AND CEO  
WEST JEFFERSON MEDICAL CENTER

